

## Message Text

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ACTION EB-11

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2743

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: BEXP, BR

SUBJ: PULLMAN VISIT

REF: BRASILIA 2418

1. FOLLOWING REPORT HAS BEEN PROVIDED BY CONGENRIO:  
CONGEN AND COMMERCE OFFICERS AND LOCAL REPRESENTATIVES  
HELD SEPARATE MEETINGS APRIL 8 WITH GEN. MILTON  
GONCALVES, PRESIDENT, RFFSA, FEDERAL RAILWAY NETWORK COMPANY  
AND ALVARDO GOMES BARBOSA, DIRECTOR GENERAL, DNEF, NATIONAL  
DEPARTMENT OF FEDERAL RAILWAYS. PULLMAN OFFICIALS WERE ABLE  
TO PRESENT COMPANY PROPOSAL TO FURNISH FREIGHT CARS,  
INCLUDING PRICES AND DELIVERY SCHEDULES, TO GONCALVES  
AND BARBOSA. THEY ALSO EXPRESSED THEIR CONCERN OVER  
INFORMATION THAT GEN. ARAUJO, THE FORMER RFFSA PRESIDENT,  
MAY HAVE ACCEPTED PROPOSALS FROM ROMANIA AND YUGOSLAVIA  
FOR 5900 FREIGHT CARS WHICH WOULD SERIOUSLY LIMIT POSSI-  
BILITIES OPEN TO OTHER SUPPLIERS. POINT WAS STRESSED  
THAT IT WOULD BE IN EVERYONE'S INTEREST IF RFFSA WOULD  
STUDY ALTERNATE OFFERS BEFORE COMING TO A DIFINITE  
DECISION REGARDING PURCHASE OF FREIGHT CARS, ESPECIALLY  
AS THERE WAS REASON TO BELIEVE PULLMAN'S PRICES WERE  
SIGNIFICANTLY LOWER THAN THE COMMUNIST COUNTRIES' OFFERS  
WHILE DELIVERY SCHEDULES WERE SUBSTANTIALLY THE SAME,  
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AND EXIM FINANCING WOULD PERHAPS BE MORE FAVORABLE.

2. GEN. GONCALVES STATED HE WAS PLEASED TO HAVE ADDITIONAL INFORMATION AND WOULD HAVE HIS STAFF STUDY THE PULLMAN PROPOSAL. NEW IN THE JOB, HE WAS NOT FAMILIAR WITH ALL THE DETAILS REGARDING THE ROMANIAN AND YUGOSLAV OFFERS. HE BELIEVED, HOWEVER, THAT IT WAS NOT MERELY A STRAIGHT PURCHASE OF FREIGHT CARS BUT HAD BALANCE-OF-PAYMENTS IMPLICATIONS AS WELL. IN EFFECT, ROMANIA AND YUGOSLAVIA HAVE AGREED TO PURCHASE IRON ORE FROM BRAZIL IN EXCHANGE FOR THE FREIGHT CARS. MORE-OVER, HE UNDERSTOOD THEY HAVE AGREED TO PURCHASE LOCALLY 25 PERCENT OF THE FREIGHT CAR COMPONENTS AS WELL AS TO ASSEMBLE THE CARS IN BRAZIL. GEN. GONCALVES SAID HE WAS NOT IN POSITION TO DECIDE WHETHER OR NOT THE ROMANIAN AND YUGOSLAV PROPOSAL SHOULD BE ACCEPTED. THIS DECISION WOULD BE MADE WITHIN THE BRAZILIAN GOVERNMENT. AMONG THE ELEMENTS TO BE CONSIDERED ARE THE GOVERNMENT'S DESIRE TO EXPAND TRADE CONTRACTS AND TO ASSURE A FUTURE MARKET FOR IRON ORE. HE STATED FURTHER THAT LOCAL MANUFACTURERS OF FREIGHT CARS ARE PROTESTING VIGOROUSLY AGAINST THE PROPOSED DEAL WITH THE COMMUNISTS.

3. AT AN EARLIER MEETING WITH ALVARO BARBOSA, A SIMILAR PRESENTATION WAS MADE. BARBOSA STATED THAT HE WAS UNDER THE IMPRESSION THE FREIGHT CAR PURCHASE FROM ROMANIA AND YUGOSLAVIA WAS STRICTLY A BARTER DEAL. HE WAS NOT AWARE, HOWEVER, OF SIGNIFICANT PRICE DIFFERENTIAL BETWEEN THE COMMUNIST PROPOSAL AND ALTERNATE PROPOSALS FROM OTHER SOURCES. HE AGREED IT WOULD BE IN EVERYONE'S INTEREST FOR THE GOVERNMENT TO STUDY OTHER OFFERS BEFORE COMING TO A DECISION. DR. BARBOSA MENTIONED THAT HE WOULD BE MEETING WITH THE MINISTER OF TRANSPORTATION IN RIO GRANDE DO SUL ON APRIL 10, AND WOULD MENTION THIS SUBJECT TO HIM. BARBOSA SAID FURTHER THAT HE FAVORED LOCAL MANUFACTURERS FOR SUPPLY OF RAILCARS WHENEVER POSSIBLE, BUT FELT IT WISE TO SEARCH FOR THE BEST POSSIBLE DEAL FROM FOREIGN SUPPLIERS WHEN IT WAS DEMONSTRATED THAT LOCAL PRODUCERS COULD NOT FULFILL REQUIREMENTS.

4. CONGEN AND ECON OFFICER TOOK ADVANTAGE OF PROTOCOL LIMITED OFFICIAL USE

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VISIT WITH ARY PINTO, CHIEF OF INTERNATIONAL ADVISORY STAFF IN FINANCE MINISTRY, ON APRIL 8 TO MENTION FREIGHT CAR COMPETITION. ARY PINTO CLAIMED TO BE UNAWARE THAT GOB HAD COMMITTED ITSELF TO LARGE ROMANIAN AND YUGOSLAV PURCHASES. HE EXPRESSED DOUBT THAT SUCH A LARGE PURCHASE AGREEMENT COULD HAVE BEEN CONCLUDED WITHOUT EXTENSIVE INTRA-GOVERNMENTAL CLEARANCES. WHEN INFORMED THAT EASTERN EUROPEAN PRICE WAS SUBSTANTIALLY HIGHER

THATN PULLMAN OFFER AND THAT FINANCING TERMS PROVIDED NO RELIEF FOR THIS DIFFERENTIAL, HE CLAIMED INABILITY TO EXPLAIN SUCH A FACTOR. HE NOTED, HOWEVER, THAT THERE MAY HAVE BEEN SOME DESIRE TO ACCOMMODATE PURCHASE WITHIN BILATERAL CLEARING AGREEMENTS. IN ANY CASE, PRESENT ADMINISTRATION WOULD LIKELY REVIEW COMMITMENTS ACCEPTED, BUT NOT IMPLEMENTED, BY PREVIOUS ADMINISTRATION. ARY PINTO PROMISED TO LOOK INTO QUESTION AND INFORM CONGEN OF FINDINGS.

5. COMMENT: WE UNDERSTAND THAT SUBSEQUENT TO OUR MEETINGS WITH GONCALVES AND BARBOSA, A DECISION WAS MADE BY THE MINISTER OF TRANSPORTATION TO RE-EVALUATE THE PROPOSALS FROM ROMANIA AND YUGOSLAVIA. LISTED BELOW ARE WHAT WE UNDERSTAND ARE THE PRICE QUOTATIONS FROM PULLMAN-STANDARD AND ROMANIA AND YUGOSLAVIA, FOR VARIOUS TYPES OF FREIGHT CARS:

ROMANIA

1. CLOSED HOPPER CARS, 100 TON WEIGHT, 1500 UNITS, US\$31,600 EACH.
  2. CLOSED HOPPER, 80 TON WEIGHT, 700 UNITS, US\$21,800 EACH.
- TOTAL COST US\$70,230,000.

TERMS: 10 PERCENT DOWN, 15 PERCENT 60 DAY LETTER OF CREDIT. REMAINDER PAYABLE IN 12 SEMI-ANNUAL INSTALLMENTS AT 7 PERCENT INTEREST RATE.

YUGOSLAVIA

1. CLOSED HOPPER, 80 TON WEIGHT, 100 UNITS, US\$32,350 EACH.
  2. OPEN HOPPER, 80 TON WEIGHT, 800 UNITS, US\$34,580 EACH.
  3. GONDOLAS, 80 TON WEIGHT, 800 UNITS, US\$29,030 EACH.
  4. TANK CARS, 400 UNITS AT US\$33,930 EACH.
- TOTAL COST US\$96,810,000.

TERMS: 20 PERCENT DOWN. REMAINDER PAYABLE IN 14 SEMI-ANNUAL INSTALLMENTS AT 7 PERCENT INTEREST.

PULLMAN STANDARD  
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1. OPEN HOPPER, 900 UNITS, US\$21,093 EACH.
2. OPEN HOPPER, 2000 UNITS, US\$19,993 EACH.
3. OPEN HOPPER, 300 UNITS, US\$19,393 EACH.
4. CLOSED HOPPER, 500 UNITS, US\$27,225 EACH.
5. CLOSED HOPPER, 1000 UNITS, US\$24,400 EACH.
6. CLOSED HOPPER, 2000 UNITS, US\$22,374 EACH.
7. CLOSED HOPPER, 3000 UNITS, US\$20,100 EACH.

RECENT STATISTICS FOR BRAZILIAN-ROMANIAN AND BRAZILIAN-YUGOSLAV TRADE REVEAL SMALL BUT PERSISTENT BALANCE BRAZIL'S FAVOR. FOR YEARS 1969-73 BRAZIL IMPORTED TOTAL OF US\$27.1 MILLION FROM ROMANIA AND US\$41.8 MILLION FROM YUGOSLAVIA. FOR SAME PERIOD BRAZIL EXPORTED A TOTAL US\$28.2 MILLION TO ROMANIA AND US\$89.5 MILLION TO YUGOSLAVIA. BRAZILIAN EXPORTS CONSIST MOSTLY AGRICULTURAL PRODUCTS. DATA ON TYPES OF IMPORTS IS NOT AVAILABLE FOR

1973, THE ONLY RECENT YEAR OF SIGNIFICANT IMPORTS FROM  
YUGOSLAVIA (\$24.6 MILLION).  
CRIMMINS

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